

**Before the
Federal Communications Commission
Washington, DC 20554**

In the Matter of)	
)	
Federal State Joint Board on)	
Universal Service)	CC Docket No. 96-45
)	
Forward-Looking Mechanism)		
For High Cost Support)	CC Docket No. 97-160
)	

DA 98-848

**COMMENTS OF THE
TENNESSEE REGULATORY AUTHORITY**

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I. Revenues Included in the Revenue Benchmark

When competitors provide service to residential customers in high cost areas, they will provide a number of services such as local service, long distance services, vertical features and the like, which together must cover costs. The revenue benchmark for universal service should take this into account by including the revenues from virtually all residential services. Moreover, the inclusion of revenues from a broad set of services captures the effects of any implicit subsidies supporting affordable rates for local service. This is essential for the identification of truly high cost areas, when local rates as well as the rates for additional services vary by location.

For these reasons the revenue benchmark should include the revenues for the following services: basic local service, toll, directory assistance, all vertical features, touch-tone, zone charges, long distance access (both interstate and intrastate), the interstate Subscriber Line Charge, and white page services (Order at 36-37). In addition, the subsidy provided by Yellow Page advertising also should be included.^{3/} The inclusion of Yellow Pages support helps minimize the size of the fund needed to support Universal Service. A small fund promotes market entry and competition, at least in the early stages of local competition, by keeping small the universal service funding burden imposed on new entrants.^{4/}

^{3/} Both regulators and the courts have recognized the importance of Yellow Pages in keeping local rates affordable. In *United States v. AT&T*, 552 F. Supp. 131, 194 (USDC D.C. 1982), the Court stated, "All those who have studied the issue agree that Yellow Pages provide a significant subsidy to local telephone rates....The loss of this large subsidy would have important consequences for the rates for local telephone service."

^{4/} Once competitors are firmly established in the state and start expressing an interest in serving high cost areas, the TRA may consider the removal of Yellow Pages support from the benchmark.